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For Immediate Release:

## **CITY PLANS TO RE-ADVERTISE HOTEL SITE AT THE CROSSING FOR DEVELOPMENT**

**San Bruno, CA** – The City of San Bruno has been informed that OTO Development, Inc. will not close escrow on a 1.5 acre site that borders Interstate 380 and El Camino Real. Since March 2016, OTO has had an option to purchase the site from the City for \$3.9 million. OTO had planned to develop a 5-story upscale hotel with 152 rooms on the site. Rapidly escalating construction costs as well as uncertainty with respect to a pending decision by the California Department of Industrial Relations, which is set to rule on whether development on the site is subject to prevailing wage, were cited by OTO as the primary reasons for withdrawing from the project.

According to City Manager Jovan D. Grogan, “while we are saddened to hear that OTO will not pursue the hotel project, we intend to use this as an opportunity to re-market the property to other hotel developers. All indications are that the market value of the site is greater now than it was in 2016, however, that will not be the only factor the City considers.” Mr. Grogan went on to say that, “The site is currently zoned exclusively for a hotel, however, it may be that market or other constraints make a hotel project at this location unfeasible at this time.”

The City first issued an RFP for a hotel development on the site in 2012. In order to accelerate reuse of the site and provide the City Council with a range of options, the City Manager stated that “staff will simultaneously re-advertise the site as a hotel project and explore alternative

uses that require a zoning change. The goal is to identify a viable development that will provide the best economic use for the long-term benefit to the San Bruno community.”

Development interest in San Bruno has seen a continual increase over the last few years. The interest is driven by the City’s adoption of the Transit Corridors Plan, which increased building height limits and allowed for greater density near San Bruno’s transit stations. The Plan has successfully encouraged the development of residential and office projects. For example, a mixed-use development with 83 residential units called The Plaza, is set to open in the first quarter of 2019 and the City recently approved a 103,000 sq. foot mixed-use project with 62 residential units and ground floor commercial space across from the San Bruno Caltrain Station. These two projects will bookend the City’s historic downtown and are anticipated to spur additional re-vitalization and investment in the downtown area. Additionally, YouTube has approached the City with its intention to stay in San Bruno and accommodate its growth in a campus environment within the City’s Bayhill Office Park. The City is currently undergoing a planning process with the community and property owners in the office park to prepare a Bayhill Specific Plan. The Bayhill Specific Plan will look at the opportunities and challenges that YouTube’s expansion creates and develop a comprehensive plan for the area.

Nevertheless, losing the OTO hotel project is a blow to the City’s budget. The project was estimated to generate \$1 million annually to the City’s General Fund. San Bruno Mayor Rico E. Medina said that “OTO’s decision to not pursue the project is unfortunate. A hotel project at that site would have capitalized on its prime location near SFO, BART, Caltrain, major freeways, and Tanforan mall.” The Mayor also said that "we are hopeful that another hotel developer will step forward. However, in our due diligence efforts, I expect City staff will go back to the drawing board and review all of our options for this potential project and the opportunity at this valuable site."